

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
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C O N F I D E N T I A L LONDON 18345

E.O. 11652: GDS

TAGS: EAIR, US, UK

SUBJECT: CIVAIR: US-UK CHARTER NEGOTIATIONS

1. SUMMARY: US-UK CHARTER NEGOTIATIONS OCT. 31-NOV. 4
MADE SOME PROGRESS BUT LEFT MOST MAJOR ISSUES UNRESOLVED.
THE UK REMAINS ADAMANTLY OPPOSED TO COUNTRY-OF-ORIGIN
CHARTERWORTHINESS RULES. ITS STRATEGY APPEARS TO BE TO
ALLOW BILATERAL CHARTER NEGOTIATIONS TO MARK TIME UNTIL
US ABANDONS ITS COUNTRY-OF-ORIGIN COMMITMENT AND BECOMES
READY TO NEGOTIATE CHARTERWORTHINESS RULES WITH UK AND,
LATER, ECAC. END SUMMARY.

2. NEGOTIATIONS FOCUSED ON REVISED DRAFT ARTICLES PRE-
PARED BY USDEL. IN DISCUSSIONS OF 20 OF THE 22 DRAFT
ARTICLES, THE FOLLOWING PRINCIPAL ISSUES EMERGED:
(A) DESIGNATION: UK STATED THAT DESIGNATION OF CHARTER
AIRLINES MIGHT MAKE SENSE IN US-UK CHARTER AGREEMENT,
BUT PRECEDENT COULD CREATE PROBLEMS IN UK CHARTER RELA-
TIONS WITH OTHER COUNTRIES. (COMMENT: IF THIS IN FACT
IS THE BASIS FOR UK RETICENCE ON DESIGNATION, THERE ARE
SEVERAL FEASIBLE SOLUTIONS.)
(B) TERRITORIAL APPLICATION OF CHARTER BILATERAL: UK
POSITION IS THAT, UNLIKE SCHEDULED SERVICE, REGULATION
OF CHARTERS IS STATUTORILY THE RESPONSIBILITY OF DEPEND-
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ENT TERRITORY GOVERNMENTS, NOT HMG. (COMMENT: BECAUSE
OF LIMITED COMMERCIAL VALUE AND ABSENCE OF ANY SIGNIFI-
CANT PROBLEMS, CONTINUED EFFORT TO INCLUDE TERRITORIAL
MARKETS MAY CAUSE MORE TROUBLE THAN IT IS WORTH.)
(C) CAPACITY: UKDEL PROFESSED SUPPORT FOR PROHIBITION OF
CAPACITY CONTROL BUT PROPOSED LANGUAGE CHANGES WHICH
WOULD PERMIT THE DESTINATION COUNTRY TO PREVENT FLIGHTS I

CERTAIN CASES. (COMMENT: DIFFICULTY OF THIS ISSUE IS LIKELY TO BE INVERSELY PROPORTIONAL TO UK SATISFACTION WITH ULTIMATE RESOLUTION ON CHARTERWORTHINESS RULES. IF UK FEELS THAT CHARTERWORTHINESS RULES ARE SO LIBERAL AS TO THREATEN SCHEDULED SERVICE WITH SIGNIFICANT DIVERSION OF TRAFFIC, THEY WILL PRESS HARD FOR SOME FORM OF CAPACITY CONTROL.)

(D) PRICE: UK POSITION FAVORS PRICE SURVEILLANCE PRINCIPALLY BY COUNTRY OF ORIGIN BUT WITH SOME ABILITY BY DESTINATION COUNTRY TO PROTECT ITSELF AGAINST DUMPING.

(COMMENT: EVOLUTION OF THIS ISSUE, LIKE CAPACITY, WILL PROBABLY BE DETERMINED BY WHAT HAPPENS ON CHARTERWORTHINESS. EVEN IN CONTEXT OF CHARTERWORTHINESS RULES WHICH IT CONSIDERS ACCEPTABLE, HOWEVER, UK MIGHT STILL WANT SOME PRICE SAFEGUARD.)

3. NO NEGOTIATING DISCUSSIONS TOOK PLACE ON US DRAFT ARTICLES ON CHARTERWORTHINESS OR DIRECTIONAL BALANCE. CONCERNING CHARTERWORTHINESS, UK REFUSED TO CONSIDER COUNTRY-OF-ORIGIN, AND US REFUSED TO CONSIDER ANYTHING ELSE. CONCERNING DIRECTIONAL BALANCE, USDEL MADE CLEAR THAT WAIVER OF UPLIFT RATIO WILL DEPEND ON SATISFACTORY CHARTERWORTHINESS OUTCOME FROM US POINT OF VIEW.

4. NEXT NEGOTIATING SESSION IS SCHEDULED FOR DEC. 5-9 IN WASHINGTON, ALTHOUGH UKDEL HEAD INDICATED THAT HE MIGHT CONFIDENTIAL

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BE ABLE TO MEET FOR ONLY FOUR OF THOSE FIVE DAYS. IT IS POSSIBLE THAT DECEMBER SESSION WILL RESOLVE THE DESIGNATION AND TERRITORY ISSUES, BUT ANY WIDER AREA OF AGREEMENT IS HIGHLY UNLIKELY.

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